

Nonmetro Employment Growth Slows, but Unemployment Continues to Fall

Nonmetro employment continued to expand through 1997. During the early 1990's, nonmetro employment growth outpaced metro growth, but in the past 3 years, the employment growth rate in nonmetro areas has run behind the metro rate. Unemployment rates have continued to fall in both nonmetro and metro areas over the past several years. In nonmetro areas, employment growth rates in Black counties have generally been below those in low minority counties in both the 1980's and 1990's, while Hispanic county growth has been similar to low minority county growth.

Nonmetro employment continued to expand during 1997, particularly during the last half of the year. Growth was particularly strong in the fourth quarter of 1997, but retreated during the first half of 1998. Between the second quarter of 1995 and the second quarter of 1998, the seasonally adjusted annualized employment growth rate in nonmetro areas has run behind the metro rate in 12 of 13 quarters. This is in sharp contrast to the first part of the 1990's, when nonmetro employment growth consistently outpaced metro growth (fig. 1).

This change reflects both an acceleration of metro growth and a slowdown of nonmetro growth. Between late 1990 and early 1995, metro employment growth averaged 0.9 percent per year, while nonmetro growth averaged 1.8 percent. However, over the past 13 quarters dating from April 1995 through June 1998, metro area growth has averaged 2.0 percent per year, while nonmetro growth has averaged just 1.0 percent.

This nonmetro slowdown has not been limited to a few regions, or to counties with particular locational or economic attributes (rural-urban continuum codes or county economic types), but has been very widespread (table 1). Further, an examination of national employment growth by industry does not show any recent bias toward accelerated growth in more metro-oriented industries. Thus, the data suggest a generalized shift in economic activity toward metro areas, rather than a change attributable to conditions in particular nonmetro areas or industries.

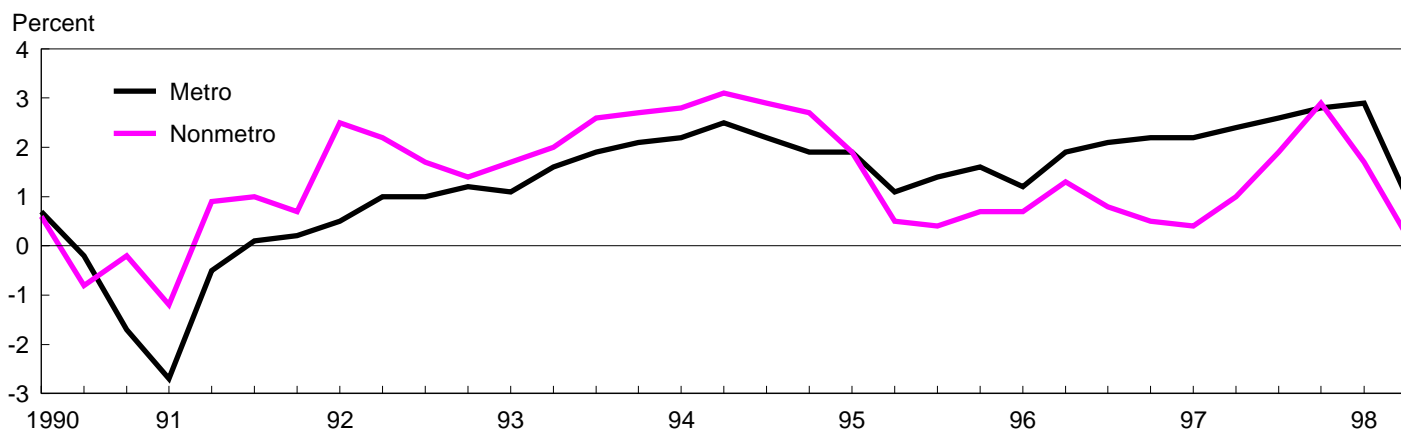
Nonmetro and Metro Unemployment Rates Continue to Fall

The slowdown in nonmetro employment growth has not led to a rise in unemployment, as might be expected. Rather, unemployment rates have continued to fall in both nonmetro and metro areas. The nonmetro rate fell from 5.9 percent in 1994 to 5.2 percent in 1997; by the first quarter of 1998, the seasonally adjusted nonmetro rate had fallen to 4.7 percent, the lowest level since 1973 (fig. 2). Similarly, the metro rate fell from 6.1 percent in 1994 to 4.9 percent in 1997, and to a seasonally adjusted rate of 4.3 percent in the second quarter of 1998, its lowest point during the 1973-98 period.

Figure 1

Employment growth, 1990-98

Metro employment growth has generally exceeded nonmetro since early 1995



Note: Rate shown is quarterly, seasonally adjusted annualized percentage employment growth, from second quarter 1990 through second quarter 1998.

Source: Calculated by ERS from Bureau of Labor Statistics' Local Area Unemployment Statistics.

Table 1

Employment growth in nonmetro areas: 1991-95 versus 1995-98*Employment growth in most nonmetro county types has slowed since 1995*

Item	Annual rate of change		Difference
	2nd quarter 1991 to 2nd quarter 1995	2nd quarter 1995 to 2nd quarter 1998	
	Percent	Percent	Percentage point
U.S. total	1.5	1.8	0.3
Metro	1.4	2.0	.6
Nonmetro	2.0	1.0	-1.0
Region:			
Northeast	.4	1.0	.6
Midwest	2.2	.7	-1.5
South	2.0	1.0	-1.0
West	3.0	1.9	-1.1
Economic type:			
Agriculture	1.7	.8	-.9
Mining	.7	.9	.3
Manufacturing	2.0	.7	-1.3
Government	2.0	1.4	-.7
Services	2.4	1.5	-.9
Nonspecialized	2.2	1.0	-1.2
Retirement	3.0	2.2	-.8
Federal lands	3.1	1.8	-1.3
Commuting	2.3	1.5	-.8
Persistent poverty	2.0	.6	-1.3
Transfers	2.1	.9	-1.2
Minority population:			
Substantially Black	1.4	.8	-.6
Predominantly Black	1.0	.2	-.7
Substantially Native American	2.6	1.0	-1.6
Predominantly Native American	3.8	-.4	-4.2
Substantially Hispanic	1.0	2.1	1.1
Predominantly Hispanic	2.3	.8	-1.5
Low minority	2.1	1.1	-1.0
Rural-urban continuum code:			
Urban adjacent	1.7	1.2	-.5
Urban nonadjacent	2.0	1.2	-.8
Less urban adjacent	2.2	1.1	-1.1
Less urban nonadjacent	2.1	.9	-1.2
Rural adjacent	2.3	1.0	-1.3
Rural nonadjacent	1.8	.6	-1.2

Note: Data by region, economic type, minority population, and rural-urban continuum code are for nonmetro areas only.

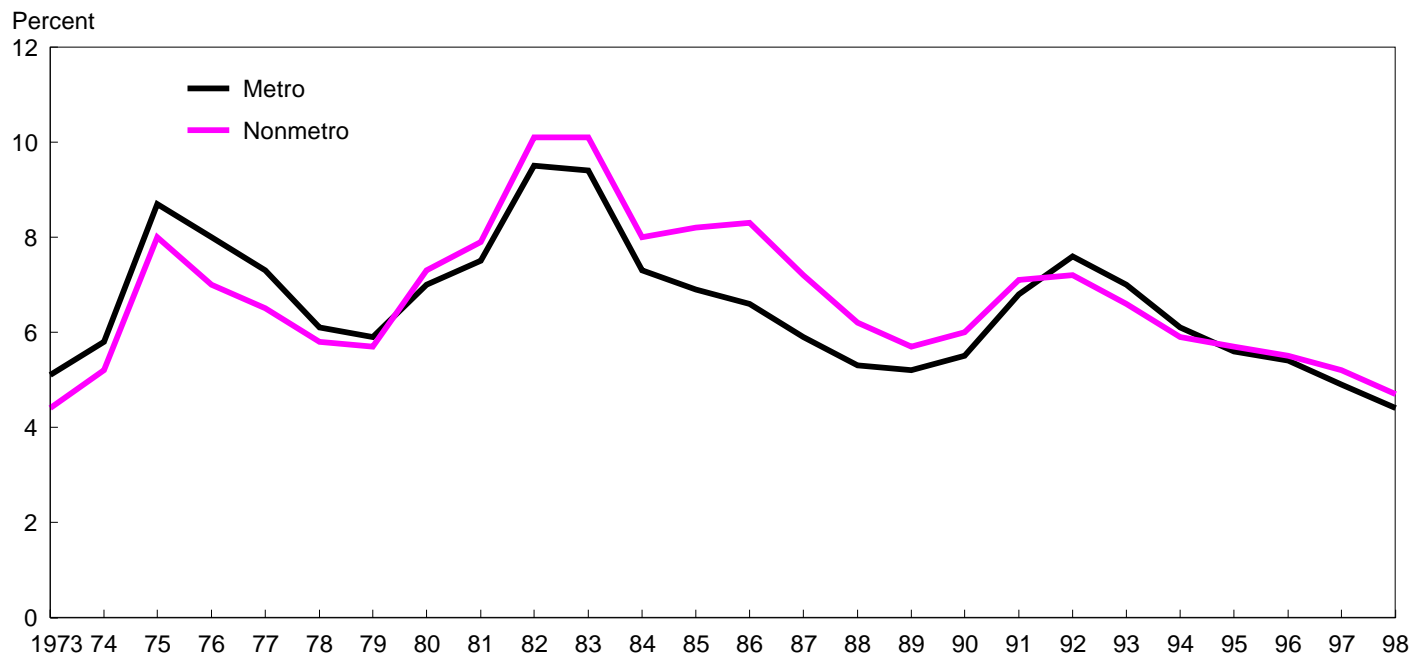
See pp. 118-120 in the appendix for definitions of the county types (typology codes).

Source: Calculated by ERS from Bureau of Labor Statistics' Local Area Unemployment Statistics.

Figure 2

Metro and nonmetro unemployment rates, 1973-98

Metro and nonmetro unemployment rates have generally moved together



Note: 1973-97 values are annual averages and 1998 value is first half, seasonally adjusted.

Source: Current Population Survey, Bureau of the Census, 1998 seasonal adjustment calculated by ERS.

Slowing employment growth in nonmetro areas in conjunction with a continuing decline in unemployment is explained in part by declining rates of nonmetro labor force growth. Between 1990 and 1993, nonmetro labor force rose by 1.2 million. In contrast, nonmetro labor force rose by only 0.2 million between 1994 and 1997. Since the nonmetro labor force grew more slowly than nonmetro employment, nonmetro unemployment rates declined. Consistent with this, the population article in this issue finds that while nonmetro areas continued to experience net immigration between 1995 and 1997, the rate of immigration slowed from the early 1990's.

Employment Growth Remains Slow in Nonmetro Black Counties

This issue of *RCaT* emphasizes the economic experience of nonmetro counties with high concentrations of minorities as well as that of nonmetro minority groups. In this context, it is useful to look at the employment growth and unemployment experience of Black, Hispanic, and Native American counties in nonmetro areas.

Employment growth rates in Black counties have generally been below those in low minority counties in both the 1980's and 1990's. In nonmetro areas, the growth rate gap between Black and low-minority counties changed little from the 1980's to the 1990's—averaging about 0.7 percentage point annually in both periods. On the other hand, employment growth trends in nonmetro Hispanic counties have followed a different pattern, being more similar to growth rates in low-minority counties in both the 1980's and 1990's (table 2). Employment in Native American counties grew at nearly the same rate as in low minority counties during the 1980's, but a bit faster during the 1990's.

Low-Minority Counties Account for Most Employment and Unemployment in Nonmetro Areas

In nonmetro areas, Black counties represent the overwhelming share—about two-thirds—of the labor force and employment among minority counties; Hispanic and Native American counties account for the remaining third. Overall, minority counties account for only 11 percent of the labor force and employment in nonmetro counties. Unemployment levels are higher in minority counties; most Black and Native American counties in nonmetro areas, as well as nearly 40 percent of Hispanic counties, have unemployment rates at least 1.5 times the national average (table 3). As a result, minority counties account for 17 percent of overall nonmetro unemployment and 29 percent of nonmetro “location-specific unemployment” (those who are unemployed who would be employed if the county unemployment rate equaled the national average) (table 4). Average unemployment rates are higher in Hispanic than Black counties. However, the range of unemployment rates was also wider among Hispanic counties, and they are actually more likely than Black counties to have below-average unemployment rates (table 3; fig. 3).

Table 2

Change in nonmetro and metro employment, by minority county type, 1980-97 *Employment growth in Black counties has lagged both nonmetro and metro growth rates*

Period	1980-90	1990-97
Annual percentage change		
U.S. total	1.8	1.3
Metro:		
Overall average	2.0	1.2
Nonmetro:		
Overall average	.9	1.4
Low minority	1.0	1.4
Black	.2	.7
Native American	.8	1.9
Hispanic	1.2	1.5
Difference from overall nonmetro average:		
Low minority	.1	.1
Black	-.7	-.7
Native American	-.1	.5
Hispanic	.3	.1

Source: Calculated by ERS from Bureau of Labor Statistics' Local Area Unemployment Statistics.

Table 3

Nonmetro high-unemployment counties, by minority status, 1997

About half of all nonmetro minority counties have unemployment rates more than 1.5 times the national average

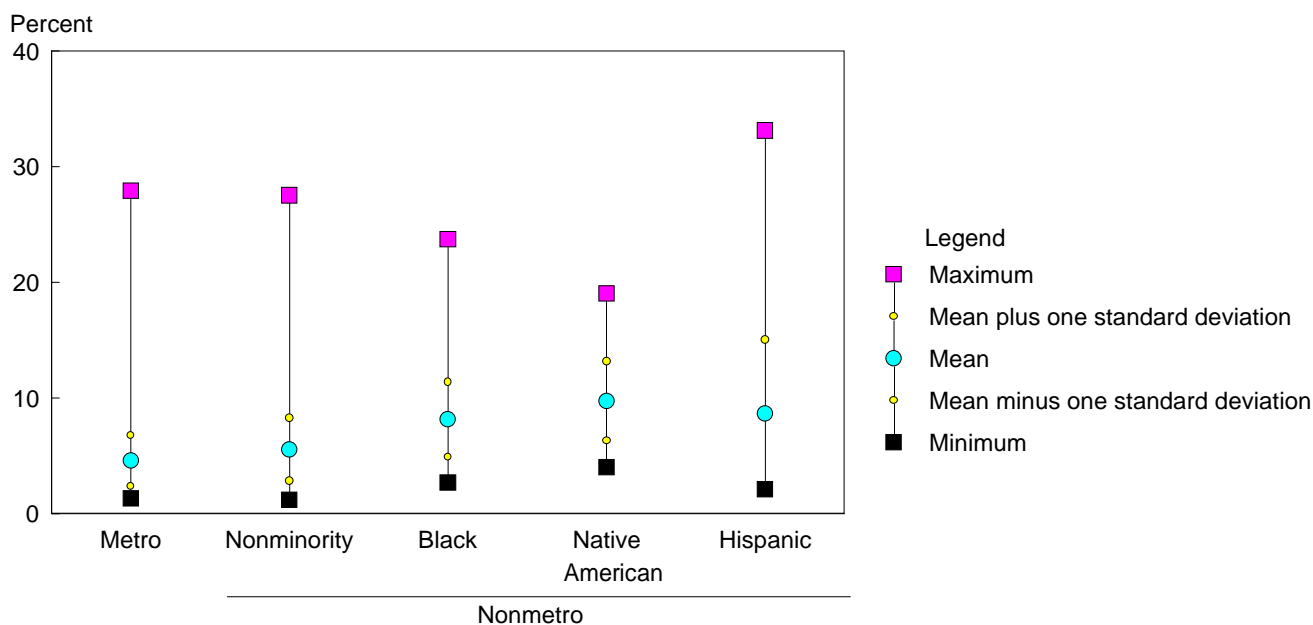
Unemployment rate	Low minority (N=1967)	Black (N=210)	Hispanic (N=88)	Native American (N=39)
Percent of counties (number of counties)				
Above U.S. average	51.1 (1,005)	86.2 (181)	73.9 (65)	92.3 (36)
Above 1.5 x average	22.0 (432)	51.9 (109)	38.6 (34)	71.8 (28)

Source: Calculated by ERS from Bureau of Labor Statistics' Local Area Unemployment Statistics.

Figure 3

Ranges of unemployment rates among counties, by minority status, 1997

Nonmetro Hispanic counties have a much wider range of unemployment rates than Black or Native American counties do



Note: At least 70 percent of the counties in each group have unemployment rates within plus or minus one standard deviation of the mean. The mean minus one standard deviation point in the nonmetro Hispanic group is not shown because it is nearly the same as the actual minimum.

Source: Calculated by ERS using data from the Bureau of Labor Statistics.

Table 4

Nonmetro labor force statistics, by minority county type, 1997*Minority counties account for less than a third of the location-specific unemployed in nonmetro counties*

Item	Low minority	Black	Hispanic	Native American	Total
Number in thousands (percentage of total)					
Labor force	23,144 (88.9)	1,936 (7.4)	674 (2.6)	277 (1.1)	26,031 (100.0)
Employed	21,849 (89.3)	1,785 (7.3)	596 (2.4)	248 (1.0)	24,478 (100.0)
Unemployed	1,295 (83.4)	151 (9.7)	78 (5.0)	29 (1.9)	1,553 (100.0)
Location-specific unemployed ¹	288 (70.9)	58 (14.3)	45 (11.1)	15 (3.7)	406 (100.0)

¹Location-specific unemployment is a measure of the size of concentrations of unemployment above the national average rate.

The number of location-specific unemployed in a county is defined by the number who are unemployed in that county who would be employed if the county unemployment rate equaled the national average. The number of location-specific unemployed is set at zero for all counties with an unemployment rate below the national average.

Source: Calculated by ERS from Bureau of Labor Statistics' Local Area Unemployment Statistics.

While reported rates of unemployment among Native Americans on some reservations range up to 50 percent, the overall unemployment rate for Native American counties is just above 10 percent and the highest for any of these counties is under 20 percent. Factors that explain this apparent discrepancy include low unemployment rates for nonminorities in many of these counties, lower labor force participation rates for Native Americans (meaning that even in counties where Native Americans are a majority of the population, they may not comprise a majority of the labor force), and considerable variability among counties in the Native American Indian unemployment rate. (Census data for 1990 show unemployment rates for Native Americans in some of these counties ranging from less than 10 percent to more than 40 percent).

In summary, unemployment in minority counties remains significantly elevated even in a period of low overall unemployment nationwide. At the same time, concentrations of unemployment in those counties make up only a modest percentage of all unemployment in nonmetro areas. [Lorin Kusmin, 202-694-5429, lkusmin@econ.ag.gov]